


**Council of the District of Columbia
Committee on Finance and Revenue
Committee Report**

1350 Pennsylvania Avenue, N.W., Washington, D.C. 20004

2018 NOV 29 PM 5:16

OFFICE OF THE
SECRETARY

To: All Councilmembers

From: Jack Evans, Chairman
Committee on Finance and Revenue 

Date: November 28, 2018

Subject: Report on Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018"

The Committee on Finance and Revenue reports **favorably** on Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018" and recommends its approval by the Council of the District of Columbia.

TABLE OF CONTENTS

- I. Background, Purpose, and Effect
- II. Legislative History
- III. Position of the Executive
- IV. Advisory Neighborhood Commission
- V. Summary of Testimony
- VI. Impact on Existing Law
- VII. Fiscal Impact Statement
- VIII. Section by Section Analysis
- IX. Committee Action
- X. Attachments

I. BACKGROUND, PURPOSE, AND EFFECT

Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018", was introduced on July 10, 2018, by Chairman Mendelson and Councilmember Evans. Bill 22-918 as introduced would provide an abatement of real property taxes on real property leased by EAB Global Inc.

In 2015, the Council of the District of Columbia passed the Local Jobs and Tax Incentive Act of 2015¹ (the "2015 Act"). The 2015 Act authorized a real property tax abatement of \$60 million over ten years for Advisory Board Company in exchange for 1) creating 1,000 net new jobs for District Residents over the same abatement period, 2) signing a 15-year headquarters lease

¹ Law 21-71, 63 DCR 2329.

in the District, and 3) entering into a Community Benefits Agreement with the District. In late 2017, The Advisory Board Company consummated a transaction in which it spun off its education business into a stand-alone entity (EAB) and the remaining health care business was sold. The transaction had the practical effect of nullifying the 2015 Act as the Advisory Board Company no longer operates in the manner contemplated at the time of the 2015 Act. As a result, the transaction prevented the District from realizing the 1,000 net new jobs as well as the benefits outlined in the 2015 Community Benefits Agreement. The tax abatement outlined in Bill 22-918, the “Local Jobs and Tax Incentive Amendment Act of 2018” will allow EAB to assume its proportionate share of the 2015 Act, resulting in the creation of 350 net new jobs for District Residents over the ten-year abatement period, a new Community Benefits Agreement, and a reduction in the enacted tax abatement to 35% of the 2015 tax abatement amount. The purpose for the abatement is also to keep EAB located in the District, encourage EAB to hire more District residents, and increase construction employment in the District. Bill 22-918 would provide EAB with a ten-year real property tax abatement to begin October 1, 2020 of up to \$2.1 million per year so long as annual requirements of meeting hiring goals and community benefits are met. According to their website, EAB² partners with education leaders, practitioners, and staff to accelerate progress and drive results. EAB works with colleges, universities, community colleges, K-12 districts, independent schools and graduate programs in the country.

The draft committee print of Bill 22-918 also includes the creation of another section of the D.C. Official Code for a performance-based property tax abatement for Chemonics International, Inc. (Chemonics) to be granted over the course of 9 years with a maximum of \$650,000 per tax year (for a total of \$5,850,000 over the abatement period), to be determined based on Chemonics annual performance in relation to specific employment requirements. As noted in testimony provided by the Executive and summarized in Section III of this report, expanding this legislation to include an abatement for Chemonics will ensure another corporate citizen remains in the District. While Chemonics currently has offices in the District as well as Arlington, VA this real property tax abatement would establish Chemonics’ global headquarters of approximately 240,000 square feet in Washington, D.C. at The Yards development at New Jersey Avenue S.E. and N Street, S.E. When construction of their new offices in the District is completed, it is expected that over 1,200 employees would be working in Washington, D.C. According to their website³, Chemonics works around the globe in development, combining broad regional experience with technical depth and unparalleled management skill offering practices ranging from agriculture and private sector development to health and education.

II. LEGISLATIVE HISTORY

July 10, 2018 Bill 22-918, the “Local Jobs and Tax Incentive Amendment Act of 2018” is introduced by Chairman Mendelson and Councilmember Evans.

July 20, 2018 Notice of Intent to Act on New Legislation for Bill 22-918 is published in the *D.C. Register*.⁴

² <https://www.eab.com/about-us>

³ <https://www.chemonics.com/what-we-do/>

⁴ Page 007544 of the July 20, 2018 *D.C. Register*.

September 18, 2018 Bill 22-918 is referred to the Committee on Finance and Revenue.

October 26, 2018 Notice of public hearing on Bill 22-918, and other matters, published in the *D.C. Register*.⁵

November 14, 2018 Public hearing held on Bill 22-918, and other matters.

November 28, 2018 Consideration and vote on Bill 22-918 by the Committee on Finance and Revenue.

III. POSITION OF THE EXECUTIVE

Andrew Trueblood, Interim Director, Office of Planning, Office of the Deputy Mayor for Planning and Economic Development provided testimony regarding the legislation. Mr. Trueblood provided a brief summary of the legislation as introduced and explained that since the passage of the original act, the Advisory Board Company split its health care and education businesses, with EAB as the education arm. Mr. Trueblood expressed support for the EAB abatement, and also offered support to amend the legislation to include a second abatement for Chemonics, an international development company with a 40-year history in the District. Mr. Trueblood's testimony provided language to include in Bill 22-918 for a performance-based property tax abatement for Chemonics to be granted over the course of 9 years with a maximum of \$650,000 per tax year (for a total of \$5,850,000 over the abatement period), to be determined based on Chemonics annual performance in relation to specific employment requirements including a total Full Time Equivalent (FTE) requirement, a District resident requirement and a work readiness requirement. Mr. Trueblood noted the District will also execute an Incentive Agreement providing community benefits.

IV. ADVISORY NEIGHBORHOOD COMMISSION

The Committee did not receive comments from any Advisory Neighborhood Commissions.

V. SUMMARY OF TESTIMONY

The Committee on Finance and Revenue held a public hearing on Bill 22-918 and other matters on November 14, 2018, starting at 10:15 a.m. The hearing was attended by Chairman Jack Evans.

Chairman Evans presented an opening statement on the legislation:

Next, we have Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018" which would amend Chapter 46 of Title 47 of the District of Columbia Official Code to provide an abatement of real property taxes on real property leased by EAB Global Inc. This is actually repealing a tax abatement provided previously for The Advisory Board Company and instead, offering a real property tax abatement for EAB Global, Inc. for up to \$2.1 million a year for a

⁵ Page 011889 of the October 26, 2018 *D.C. Register*.

total of \$21 million over a ten-year period (October 1, 2020 through September 30, 2030), so long as certain hiring requirements of District residents are met. I see Chemonics is signed up to testify today, and I believe the Office of the Deputy Mayor for Planning and Economic Development will be speaking to this project in their testimony. Also of note, a Tax Abatement and Financial Analysis on this bill has been issued by the Office of the Chief Financial Officer.

A video recording of the hearing can be viewed at oct.dc.gov. The following witnesses testified before the Committee, and copies of their testimony can be found in Attachment C:

Eric Reading, Executive Vice President, Chemonics International, Inc. testified regarding the legislation and the possible inclusion of an additional real property tax abatement for Chemonics International in the bill. Mr. Reading provided a brief overview of what Chemonics does, where their global headquarters is currently located and the jobs impact they would have on the city.

Michael Kirshbaum, Chief Financial Officer, EAB testified in support of the legislation. Mr. Kirshbaum provided a brief overview of what EAB does and explained its connection as former part of The Advisory Board Company, which was founded in Washington, D.C. Mr. Kirshbaum noted the legislation would establish a strong framework for EAB to build upon its connections with the District and for DC and its residents to benefit and share in their chartered vision of growth.

Ed Lazere, Executive Director, DC Fiscal Policy Institute provided testimony regarding the legislation. Mr. Lazere noted that a tax abatement is a financial subsidy, and that the \$2.1 million not collected will have to come from somewhere. Mr. Lazere testified that the goal of job creation is laudable, but EAB Global is likely to remain in the District regardless of the tax break. Mr. Lazere explained that EAB Global would likely have already had to start planning a move given how long it takes a corporation to execute such a move. Thus, Mr. Lazere explained that EAB Global would likely remain in the District regardless of the tax incentives. Further, Mr. Lazere noted that subsidy computes to around \$60,000 per employee, more than half the leased cost of employing an individual in the District. Mr. Lazere encouraged the Council to change the formula for the incentives.

Wharton Berger, Executive Director for the Office of Economic Development Finance, Office of the Chief Financial Officer provided testimony regarding the legislation. Mr. Berger provided a brief summary of the proposed legislation as introduced and spoke regarding the Tax Abatement and Financial Analysis that was conducted on Bill 22-918. Mr. Berger noted that without knowing all the factors EAB considered, they cannot opine definitively on whether the subsidy proposed, or a different level of assistance is necessary to encourage EAB to remain in the District. Mr. Berger also noted the proposed real property tax abatement would be provided subject to EAB satisfying the terms of the Agreement.

The public hearing adjourned at 5:40 p.m.

VI. IMPACT ON EXISTING LAW

Bill 22-918 amends Chapter 46 of Title 47 of the District of Columbia Official Code to strike existing sections applying to The Advisory Board, and adds new sections of the code.

VII. FISCAL IMPACT

The Chief Financial Officer's fiscal impact statement of November 26, 2018 states that funds are sufficient in the Fiscal Year 2019 through 2022 budget and financial plan to implement the bill. The bill repeals an authorized real property tax abatement and authorizes a smaller abatement, increasing real property tax revenue available.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1 states the short title of the legislation.

Section 2 strikes existing sections of the code relating to The Advisory Board and creates new sections of the code for an EAB real property tax abatement. Establishes the abatement period of October 1, 2020 to September 30, 2030. Establishes the definition and measurement of accumulated new District resident hires, an annual reporting date of September 30, and several definitions that apply to this real property tax abatement. Establishes a maximum abatement of \$2.1 million per tax year during the abatement period and outlines how the amount of the abatement is determined each year based on whether the company exceeds the total employment baseline and meets the annual requirements for accumulated new District resident hires and so long as certain conditions are met. Outlines information the company must provide the Mayor each year in order to be eligible to receive the abatement. Establishes that the company shall enter into a community benefits agreement with the Mayor. Also establishes what the Mayor must certify to the Office of Tax and Revenue each year in order for the company to be eligible and receive the abatement.

Section 3 creates a new section of the code for a real property tax abatement for Chemonics International. Establishes the abatement period of October 1, 2022 through October 1, 2030. Establishes an annual reporting date of September 30, and several definitions that apply to this real property tax abatement, including the location for the abatement. Establishes a maximum amount of \$650,000 per tax year during the abatement period and outlines how the amount of the abatement is determined each year. Outlines information the company must provided the Mayor each year in order to be eligible to receive the abatement. Establishes that the company shall enter into a community benefits agreement with the Mayor. Also establishes what the Mayor must certify to the Office of Tax and Revenue each year in order for the company to be eligible and receive the abatement.

Section 4 contains the fiscal impact statement.

Section 5 contains the effective date statement.

IX. COMMITTEE ACTION

The Committee on Finance and Revenue convened at 1:20 p.m. on November 28, 2018 to

consider and vote on Bill 22-918. Chairman Evans recognized the presence of a quorum, consisting of himself and Councilmembers Gray, McDuffie, Silverman and Robert White.

Chairman Evans made brief opening remarks and opened the floor for discussion.

Councilmember Silverman made brief remarks and offered an amendment (Attachment E) that would remove the abatement for Chemonics International from the bill. Councilmembers Robert White, Gray and McDuffie all spoke in support of the amendment. Chairman Evans then accepted the amendment as friendly.

Councilmember Silverman also expressed concerns regarding the abatement for EAB and hiring requirements included in the legislation.

Discussion ended, Chairman Evans then moved Bill 22-918, with leave for the Committee staff to make technical and conforming amendments.

The members voted as follows:

	<u>Report on Bill 22-918</u>	<u>Committee Print on Bill 22-918</u>
Chairman Evans	YES	YES
Councilmember Gray	YES	YES
Councilmember McDuffie	YES	YES
Councilmember Silverman	NO	NO
Councilmember R. White	YES	YES

Thus, the bill and accompanying report were passed, with a majority of Members present voting in the affirmative, with 4 votes in support, 1 vote against, and 0 Members absent.

The committee meeting adjourned at 2:10 p.m.

X. ATTACHMENTS⁶

- A. Bill 22-918 as introduced.
- B. November 14, 2018 public hearing notice for Bill 22-918.
- C. Witness list and testimony from the November 14, 2018 public hearing on Bill 22-918.
- D. Tax Abatement and Financial Analysis.
- E. Silverman Amendment.
- F. Fiscal impact statement.
- G. Legal sufficiency determination.
- H. Committee Print of Bill 22-918.

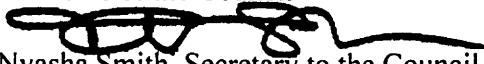
⁶ As this bill establishes a new section of the D.C. Official Code, a comparative print is not required.

(A)

COUNCIL OF THE DISTRICT OF COLUMBIA
1350 Pennsylvania Avenue, N.W.
Washington D.C. 20004

Memorandum

To : Members of the Council

From :  Nyasha Smith, Secretary to the Council

Date : July 13, 2018

Subject : Referral of Proposed Legislation

Notice is given that the attached proposed legislation was introduced in the Office of the Secretary on Tuesday, July 10, 2018. Copies are available in Room 10, the Legislative Services Division.

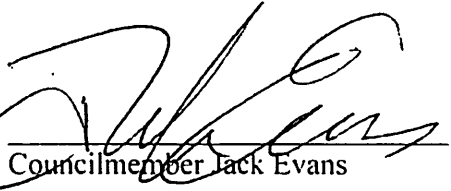
TITLE: "Local Jobs and Tax Incentive Amendment Act of 2018", B22-0918

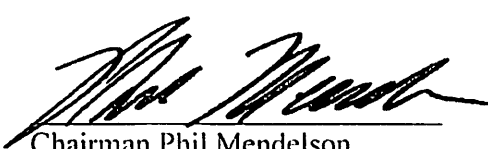
INTRODUCED BY: Chairman Mendelson and Councilmember Evans

The Chairman is referring this legislation to the Committee on Finance and Revenue.

Attachment

cc: General Counsel
Budget Director
Legislative Services

1 
2 Councilmember Jack Evans
3
4


Chairman Phil Mendelson

5
6 A Bill
7 _____

8 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
9 _____
10

11 To amend Chapter 46 of Title 47 of the District of Columbia Official Code to provide an
12 abatement of real property taxes on real property leased by EAB Global Inc.

13 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, that this
14 act may be cited as the "Local Jobs and Tax Incentive Amendment Act of 2018".

15 Sec. 2. Chapter 46 of Title 47 of the District of Columbia Official Code is amended as
16 follows:

17 (a) The table of contents is amended as follows:

18 (1) Strike section designations 47-4665.01 through 47-4665.05.

19 (2) A new section designation is added to read as follows:

20 "47-4665.06. EAB Global Inc. real property tax abatement."

21 (b) Sections 47-4665.01 through 47-4665.05 are repealed.

22 (c) A new section 47-4665.06 is added to read as follows:

23 "§ 47-4665.06 EAB Global Inc. real property tax abatement.

24 "(a) For the purposes of this section the term:

25 "(1) "Abatement period" means October 1, 2020, through September 30, 2030.

26 the time during which the incentive will be applied.

27 “(2) “Accumulated New District Resident Hires” is goal for Net New District
28 FTE Hires pursuant to the incentive agreement.

29 “(3) “Annual reporting date” means September 30 preceding every tax year of the
30 Abatement Period.

31 “(4) “Company” means EAB Global Inc.

32 “(5) “Community Benefits Agreement” means the agreement entered into
33 between the Mayor and the Company.

34 “(6) “District Resident” means an FTE whose principal place of residence is
35 located within the District and who is on the annual reporting date subject to District personal
36 income tax.

37 “(7) “FTE” means an employee of the Company, or one of its subsidiaries or
38 affiliates, who is eligible for the full employee healthcare benefits of the Company, or its
39 applicable subsidiary or affiliate, in accordance with its standard policies.

40 “(8) “Incentive Agreement” means the agreement entered into between the Mayor
41 and the Company outlining the Company’s incentive requirement, which shall include incentives
42 for hiring 350 Net New District FTE hires.

43 “(9) “Lease commencement” means the date on which the Company occupies the
44 Property with its employees.

45 “(10) “Lease Execution” means the date on which the Company signs the lease
46 for the Property.

47 “(11) “Net New District FTE Hires” means the aggregate number of District
48 residents whose primary workplace is located in the District in excess of the resident
49 employment baseline.

50 “(12) “Project” means the initial tenant improvements to the premises located at
51 the Property undertaken by the Company or its contractor to construct the space for the initial
52 occupancy.

53 “(13) “Property” means a building or a portion of a building that is subject to real
54 property taxation under Chapter 8 of this title.

55 “(14) “Resident employment baseline” means the total number of District
56 residents whose primary workplace is located in the District, as established in the incentive
57 agreement

58 “(15) “Total employment baseline” means the total number of FTEs, whose
59 primary workplace is located in the District, as established in the incentive agreement, as of the
60 date of the lease execution.

61 “(b) Subject to subsections (c) and (d) of this section, the real property taxes imposed
62 by Chapter 8 of this title with respect to the Property shall be abated in an amount not to exceed
63 \$2 million per tax year during the abatement period. The abatement shall be apportioned equally
64 between each tax year’s installment billing. The abatement shall be non-refundable and shall not
65 be credited to other tax years.

66 “(c) The amount of the abatement authorized in subsection (b) of this section shall be
67 determined as follows:

68 “(1) If the Company exceeds the total employment baseline and meets the annual
69 requirements for the Accumulated New District Resident Hires, as measured on the annual
70 reporting date, then the abatement for each tax year shall equal \$2 million;

71 “(2) If the Company’s annual total of Net New District FTE Hires is less than the
72 requirements for the Accumulated New District Resident Hires for the same period, but the

Company exceeds the total employment baseline, then the abatement for each such tax year shall be calculated based on the ratio of actual Net New District FTE Hires to the requirement for Accumulated New District Resident Hires as of the annual reporting date, or

“(3) If there are fewer FTEs than the total employment baseline as of the annual reporting date, then the abatement for each such tax year shall be zero.

“(d) The Property shall be eligible for the abatement authorized in subsection (b) of this section each year of the abatement period as long as the Company:

“(1) Maintains a lease for the premises located on the Property that meets the requirements in subsection (b) of this section;

“(2) Maintains the total employment baseline;

“(3) Fulfills the requirements of the Community Benefits Agreement; and

“(4) Complies with subsections (f) and (h) of this section, including the requirements of the incentive agreement.

“(e) The terms of the Company’s lease for the Property shall meet the following requirements:

“(1) The premises subject to the lease shall be located in the District;

“(2) The lease execution shall occur on or before January 1, 2019;

“(3) The term of the initial lease shall be at least 10 years; and

“(4) The premises leased by the Company shall be at least 148,750 square feet of net rentable area.

“(f) During the abatement period, the Property shall not be eligible for the abatement authorized under § 47-811.03.

95 “(g) If the Mayor pursuant to § 2-219.03a, determines that the Company is in
96 compliance with the hiring requirements of subsection (c) of this section and the incentive
97 agreement, the Company shall be deemed to be in compliance with the provisions of part A of
98 subchapter X of Chapter 2 of Title 2 of the District of Columbia Official Code.

99 “(h) On or before October 31, the Company shall provide the Mayor with the
100 following information pertaining to the previous tax year:

101 “(1) A detailed report as of the annual reporting date that identifies the:

102 “(A) Number of employees whose primary workplace is located in the
103 District;

104 “(B) Number of District resident employees:

105 “(C) Median salary of the District resident employees;

106 “(D) Median tenure of District resident employees; and

107 “(E) Total employment baseline; and

108 “(2) A certification of compliance with the Community Benefits Agreement.

109 “(3) The Company shall comply with requirements contained in § 2-218.46, with
110 regard to the Project.

111 “(i) Within 30 days of enactment of this section, the Company shall enter into a
112 community benefits agreement with the Mayor that shall include requirements for training,
113 employment, and youth development and free services to underserved communities in the
114 District.

115 “(j) In each year of the abatement period, the Mayor shall certify to the Office of Tax
116 and Revenue the Property’s eligibility for the abatement set forth in subsection (b) of this
117 section. The Mayor’s certification shall include:

118 “(1) The Company’s taxpayer identification number and the identity of any
119 related entity that is occupying all or part of the eligible premises, including the entity’s taxpayer
120 identification number;

121 “(2) A description of the eligible property, by street address and square, lot,
122 parcel, or reservation number, and a description of the eligible premises, including the floor, or
123 floors, location, and square footage;

124 “(3) The date of lease commencement and the term of the lease; and

125 “(4) Any other information that the Mayor considers necessary or appropriate.

126 “(k) Upon receiving the verifying documents from the Company, as required by
127 subsection (j) of this section, the Mayor shall certify to the Office of Tax and Revenue by
128 December 1 following each annual reporting date the Property’s eligibility to receive an
129 abatement pursuant section (b) of this section. The Office of Tax and Revenue shall process the
130 abatement before the first semi-annual billing of the tax year.”.

131 Sec. 3. Fiscal impact statement.

132 The Council adopts the fiscal impact statement in the committee report as the fiscal
133 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,
134 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

135 Sec. 4. Effective date.

136 This act shall take effect following approval by the Mayor or in the event of veto by the
137 Mayor, action by the Council to override the veto, a 30-day period of congressional review as
138 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
139 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1), and publication in the District of
140 Columbia Register.

(B)

**Council of the District of Columbia
Committee on Finance and Revenue
Notice of Public Hearing**

John A. Wilson Building, 1350 Pennsylvania Avenue, N.W. Washington, D.C. 20004

**COUNCILMEMBER JACK EVANS, CHAIR
COMMITTEE ON FINANCE AND REVENUE**

ANNOUNCES A PUBLIC HEARING ON:

Bill 22-121, the "Disabled Veterans Homestead Exemption Act of 2017"

Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018"

Bill 22-986, the "Rhode Island Avenue (RIA) Tax Increment Financing Act of 2018"

Bill 22-987, the "Reunion Square Tax Increment Financing Act of 2018"

Wednesday, November 14, 2018

10:00 a.m.

Room 412- John A. Wilson Building

1350 Pennsylvania Avenue, NW, Washington, D.C. 20004

Councilmember Jack Evans, Chairman of the Committee on Finance and Revenue, announces a public hearing to be held on Wednesday, November 14, 2018 at 10:00 a.m. in Room 412, of the John A. Wilson Building, 1350 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

Bill 22-121, the "Disabled Veterans Homestead Exemption Act of 2017" would amend section 47-850 of the District of Columbia Official Code to provide that a veteran who is classified as having a total and permanent disability or is paid 100% disability rating level as a result of unemployability would be exempt from a portion of the property taxes assessed on his or her primary residence.

Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018" would amend Chapter 46 of Title 47 of the District of Columbia Official Code to provide an abatement of real property taxes on real property leased by EAB Global Inc.

Bill 22-986, the "Rhode Island Avenue (RIA) Tax Increment Financing Act of 2018" would authorize the issuance of up to \$56 million in tax increment financing bonds to support certain infrastructure and site costs for a portion of the land located existing Brookland Manor apartment complex and the former Brentwood Village Shopping Center along Rhode Island Ave, N.W.

Bill 22-987, the "Reunion Square Tax Increment Financing Act of 2018" would authorize the issuance of up to \$60.8 million in tax increment financing bonds to support infrastructure costs and site development at Reunion Square, located to the east of Martin Luther King, Jr. Avenue, SE to the north of Chicago Street, SE, to the west of Railroad Avenue, SE and the south of W Street, SE, near the Anacostia Metrorail Station.

The Committee invites the public to testify at the hearing. Those who wish to testify should contact Sarina Loy, Committee Assistant at (202) 724-8058 or sloy@dccouncil.us, and provide your name, organizational affiliation (if any), and title with the organization by 10:00 a.m. on Tuesday, November 13, 2018. Witnesses should bring 15 copies of their written testimony to the hearing. The Committee allows individuals 3 minutes to provide oral testimony in order to permit each witness an opportunity to be heard. Additional written statements are encouraged and will be made part of the official record. Written statements may be submitted by e-mail to sloy@dccouncil.us or mailed to: Council of the District of Columbia, 1350 Pennsylvania Ave., N.W., Suite 114, Washington D.C. 20004.



**Council of the District of Columbia
Committee on Finance and Revenue
AGENDA**

John A. Wilson Building, 1350 Pennsylvania Avenue, N.W. Washington, D.C. 20004

**COUNCILMEMBER JACK EVANS, CHAIR
COMMITTEE ON FINANCE AND REVENUE**

PUBLIC HEARING ON:

**Bill 22-121, the "Disabled Veterans Homestead Exemption Act of 2017"
Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018"
Bill 22-987, the "Reunion Square Tax Increment Financing Act of 2018"
Bill 22-986, the "Rhode Island Avenue (RIA) Tax Increment Financing Act of 2018"**

Wednesday, November 14, 2018

10:00 a.m.

**Room 412- John A. Wilson Building
1350 Pennsylvania Avenue, NW, Washington, D.C. 20004**

- I. Opening Remarks
- II. Witness List

- **Bill 22-121, the "Disabled Veterans Homestead Exemption Act of 2017"**
 - 1. Charles Canty
 - 2. Brian Vaughn, Disabled American Veterans, Colonel Charles Young Chapter 3, Washington, DC
 - 3. Nachee Miller
 - 4. Charles Withers
 - 5. Shay Rangel, Managing Principal, Omni Global Strategies, LLC
 - 6. Bazil Facchina, Assistant General Counsel for the Office of Tax and Revenue, OCFO
- **Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018"**
 - 1. Eric Reading, Executive Vice President, Chemonics International
 - 2. Michael Kirshbaum, Chief Financial Officer
 - 3. Richard Dyer, General Counsel at EAB Global Inc.
 - 4. Ed Lazere, Executive Director, DC FPI
 - 5. Andrew Trueblood, Chief of Staff, Deputy Mayor for Planning and Economic Development
 - 6. Wharton Berger, Executive Director, Office of Economic Development Finance, OCFO
- **Bill 22-987, the "Reunion Square Tax Increment Financing Act of 2018"**
 - 1. Kevin Petty, Executive Director, Amazing Gospel Souls, Inc.
 - 2. Pastor Rowena Joyce Scott
 - 3. Troy Donte Prestwood, ANC 8A Chair
 - 4. Greta Fuller
 - 5. Bea Hernandez
 - 6. Dobromir Vassilev
 - 7. Adele Robey, Executive Director, Anacostia Playhouse
 - 8. Victoria Leonard, LiUna
 - 9. Anthony Muhammad, Commissioner, 8E02
 - 10. Jade Moore
 - 11. Melody Crosby
 - 12. Morgann Reeves
 - 13. Marcia Parkes
 - 14. Keith S. Turner, Senior Vice President, FOUR POINTS, LLC

15. Marcus Goodwin, Real Estate and Economic Development, FOUR POINTS, LLC
16. Earle Horton, Blue Skye Housing
17. Stan Jackson, President and CEO, Anacostia Economic Development Corporation ("AEDC")
18. Philip Pannell, Executive Director, Anacostia Coordinating Council
19. Nikki Waddell, MD
20. Craig Kraft
21. William Conway, SharCon Management Development
22. Brent Peterson
23. Dorcas Agyei
24. LaTasha Gunnels
25. Charles E. Wilson, President – Historic Anacostia Block Association
26. Aiy'nah Ford, Future Foundation
27. Tyteuna Jackson
28. Ryan Washington
29. Patrice Lancaster, Lancaster Consulting
30. Kymone Freeman, We Act Radio
31. Ron Moten, Check It Enterprises
32. Mike Austin, ANC 8C01
33. Andy Shallal, BusBoys & Poets Owner
34. Donahue Peebles III, Peebles Corporation
35. Arrington Dixon, Arrington Dixon & Associates
36. Tyon Jones
37. K. Leszczak
38. Ed Lazere, Executive Director, DC FPI
39. Oliver Spurgeon, III
40. Antoniese Ruffin, President, Development Economic Opportunities
41. Jauhar Abraham
42. Regina Pixley
43. Ari Theresa
44. Maria Johnson
45. Leonard Watson, Sr.
46. Ab Jordan

47. Andrew Trueblood, Chief of Staff, Deputy Mayor for Planning and Economic Development
48. Wharton Berger, Executive Director, Office of Economic Development Finance, OCFO

- **Bill 22-986, the "Rhode Island Avenue (RIA) Tax Increment Financing Act of 2018"**

1. Will Merrifield
2. Minnie Elliott, Brookland Manor/Brentwood Village Residents Association
3. Yvonne Johnson, Brookland Manor/Brentwood Village Residents Association
4. Neeka Sullivan, Brookland Manor/Brentwood Village Residents Association
5. Kirsten Williams, Brookland Manor/Brentwood Village Residents Association
6. Dorothy Davis, Brookland Manor/Brentwood Village Residents Association
7. Cheryl Brunson, Brookland Manor/Brentwood Village Residents Association
8. Yasmina Mrabet
9. Eugene Ford, Jr., Chairman of the Board, MidCity Financial Corp.
10. Jamison Weinbaum, Executive Vice President, MidCity Financial Corp.
11. Robert Johns, Director of Community Relations, MidCity Financial Corp.
12. Michael Meers, Executive Vice President, MidCity Financial Corp.
13. Emily Metzler, Senior Vice President, MuniCap, Inc.
14. G. Thomas Borger, Chairman, Borger Management, Inc.
15. Victoria Leonard, LiUna
16. Thomas M. Kirlin

17. Earline Frazier, Brentwood Civic Association
18. Stillman Knight, Knight Company
19. Kyle Todd, Executive Director, Rhode Island Avenue Main Street
20. Nina Albert, Neighbor / WMATA Director of Real Estate
21. Reverend Jeffrey Fleming, Israel Baptist Church
22. Jack Sterne, Calabash Tea / Business Owner
23. Kevin Mullone, ANC 5C02
24. John Schlick, Neighbor
25. Reginald Broddie, Former Executive Director, Concerned Black Men National
26. Paul Winestock, SONG founder (Woodridge native)
27. Angela Bowen, Community Services Foundation
28. Pierpont Mobley, Neighbor
29. Deborah Floyd, Brookland Manor Resident
30. Debra Blackwell, Brookland Manor Resident
31. Brenda Morning, Brookland Manor Resident
32. Barbara Jenkins, Brookland Manor Resident
33. Tracy Ulmer, Brookland Manor Resident
34. Shydi Evans, Brookland Manor Resident
35. Louis Turner, Brookland Manor Resident
36. Melanie Stewart, Brookland Manor Resident
37. Melvina Ford, Brookland Manor Resident
38. Queen E. Garner, Brookland Manor Resident
39. Adem Abdi, Brookland Manor Resident
40. Anabel Flores, Brookland Manor Resident
41. Sayoh Kamara, Brookland Manor Resident
42. Adwoa Wood, Brookland Manor Resident
43. Mercedes Coleman, Brookland Manor Resident
44. Vendora Green, Brookland Manor Resident
45. George Walker, Jr., Brookland Manor Resident
46. Lydia Cunningham, Brookland Manor Resident
47. Ricky Carlton, Brookland Manor Resident
48. Jacquanda McIntyre, Brookland Manor Resident
49. Kimberley Vaughan, Brookland Manor Resident
50. Cassie Norris, Brookland Manor Resident
51. Erskine Norris, Brookland Manor Resident
52. Evelyn Dockery, Brookland Manor Resident
53. Mary Smith, Brookland Manor Resident
54. Minnie Tinsley, Brookland Manor Resident
55. Rhoda Chism, Brookland Manor Resident
56. Charlene Brown, Brookland Manor Resident
57. Eric Sims, Brookland Manor Resident
58. Kim Edwards, Brookland Manor Resident
59. Thaddeus James, Brookland Manor Resident
60. Sabu Waters, Brookland Manor Resident
61. Verna Shuford, Brookland Manor Resident
62. Viola Bellas, Brookland Manor Resident
63. Cecilia Rhones, Brookland Manor Resident
64. Stan Richards, Richards Group Foundation
65. Sarah Alexander, Neighbor
66. Ken Fealing, Neighbor
67. Sebastian Zurant, Neighbor/Business Owner
68. Andi Flemming, Neighbor
69. Charles King, Business Owner

- 70. Reverend Robert Woods, Historic Berean Church (1400 Montana Ave NE)
- 71. Simone Goring Devaney, Business Owner
- 72. Ed Lazere, Executive Director, DC FPI
- 73. Caroline Petti

- 74. Marie Whittaker, Intertagency Director, Deputy Mayor for Planning and Economic Development
- 75. Wharton Berger, Executive Director, Office of Economic Development Finance, OCFO

- III. Announcements
- IV. Adjournment

What Does Chemonics Do?

Chemonics International is an employee-owned international development company dedicated to promoting meaningful change by helping people live healthier, more productive, and more independent lives. Our primary customers include governments, businesses, civil society groups, and communities located in more than 70 countries. We design and implement scalable solutions to solve the world's most intractable problems ranging from private sector development and health to environmental management and democracy and governance. We are at an inflection point in our Company history where we have a need to consolidate and create a remarkable global headquarters operation in one location.

Global Headquarters Overview

Our global headquarters are located in Washington D.C. and Arlington, Virginia. In total, we occupy about 226,000 square feet. Over the last two years, we have been evaluating our needs to be under one roof in a new location in the DC Metro Area. We are currently focused on a real estate solution consisting of at least 240,000 square feet in a development called The Yards which is being managed by Forest City. It should be noted that Chemonics will be one of the top three largest non-government and non-law firm office users in the District. We expect at least 35% of construction spending of our office building will be with DC contractors and vendors.

Jobs Impact

We currently have nearly 1,000 employees working in the metro area including about 600 in DC. Upon completion of construction in late 2021, we expect to have slightly more than 1,200 employees working in DC. Our jobs include everything from finance and IT to communications and supply chain logistics. A little more than 50% of our employees currently live in the District and we expect this trend to continue. We also intend to create about 400 internship opportunities for DC residents over the next 10 years.



EAB

**TESTIMONY OF MICHAEL KIRSHBAUM
CHIEF FINANCIAL OFFICER OF EAB GLOBAL, INC.**

**BEFORE THE COMMITTEE ON FINANCE AND REVENUE
ON
BILL 22-918, THE LOCAL JOBS AND TAX INCENTIVE AMENDMENT ACT OF 2018**

**WEDNESDAY, NOVEMBER 14, 2018
10:00 AM
HEARING ROOM 412**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. My name is Michael Kirshbaum, and I am the Chief Financial Officer of EAB. I appreciate the opportunity you have provided today to tell you more about our company and its future here in the District of Columbia.

EAB is a leading research, software, and services firm with a mission to make education smarter and communities stronger. By providing data-driven insights and technology, we assist over 1,400 educational institutions in tackling the most complex and pressing issues they face. We have a strong track record of growth, increasing our revenue and headcount each year since our inception in 2007. We employ over 1,300 professionals, including 636 employees based at our headquarters here in the District where we are at the center of a thriving education technology industry hub that continues to grow and bring jobs here each year. We employ individuals that live in all eight wards of DC, and we view our relationship with the District as a key element to our continued growth and success.

EAB has deep roots in the District as a former part of The Advisory Board Company which was founded here over 35 years ago. We are proud of our long history here and have cultivated a strong relationship with community partners, some of whom will be presenting testimony today. And, speaking personally, I am a proud District native who is fortunate to continue to live, work, and raise a family here in Washington, DC. I appreciate the efforts of the Mayor and the City Council to ensure that EAB's strong connections with the District continue into the future.

Bill 22-918 would provide EAB with performance-based, real property tax abatements of \$2.1 million per year over ten years in exchange for maintaining an office lease located in the District, committing to hire 350 new District residents over ten years, and providing community benefits for several District-based service organizations and the District of Columbia Public Schools.

As you are aware, the government of the District of Columbia passed legislation in 2015 to grant a \$60 million tax abatement to The Advisory Board Company in exchange for a commitment to hire 1,000 DC residents over ten years. Following the sale of The Advisory Board Company and spin-off of its education business – resulting in the creation of EAB – that legislation, as written,

benefit if we meet those commitments due to the performance-based structure of the Bill.

We feel that Bill 22-918 establishes a strong framework for EAB to build upon its connections with the District and for DC and its residents to benefit and share in our chartered vision of growth. I am tremendously excited about the opportunities that passage of this legislation presents for EAB and the District.

Thank you again for the opportunity to join the discussion today, and I am happy to answer any questions you may have.

Government of the District of Columbia



Office of the Deputy Mayor for Planning and Economic Development

Public Hearing on
Bill 22-918, the “Local Jobs and Tax Incentive Amendment Act of 2018”

**Testimony of
Andrew Trueblood
Interim Director, Office of Planning**

Before the
Council of the District of Columbia
Committee on Finance and Revenue
Chairman Jack Evans

November 14, 2018
10:00 a.m.

John A. Wilson Building
Room 412
1350 Pennsylvania Avenue, NW
Washington, DC 20004

on EAB's performance in relation to specific hiring requirements for new District resident hires as outlined in the legislation. This incentive will not only produce a significant number of new, permanent, quality jobs for District residents, but also require EAB to enter into a community benefits agreement. This agreement will include requirements for training, employment, and youth development for residents, as well as free services for underserved communities in the District.

In addition to my support for EAB under B22-918, I am also testifying to encourage the Committee to amend the Act to ensure that another major corporate citizen remains in the District. Chemonics is an international development company with a robust 40-year history in the District that continues to expand. The proposed amendment, which I have submitted along with my testimony, will not only support 1,200 anticipated jobs, half of which will be new or relocated from Northern Virginia to the District, but it will create a new international headquarters for Chemonics right here in Ward 6 at 1st and M Streets S.E (a portion of Lot 0094, Square 0743). By including this proposed amendment, we can ensure that Chemonics continues to grow in the District, thereby providing more job opportunities to District residents.

In the same manner contemplated under the Act for EAB, the Chemonics amendment would provide a performance-based property tax abatement to the company. The abatement would be granted over the course of nine years, in an amount not to exceed \$650,000 per tax year (a total of \$5,850,00 over the abatement period), and would be determined based on Chemonics's annual performance in relation to specific employment requirements. Those requirements include a total FTE requirement (a minimum of 1,000 required and 1,200 expected) a District resident

requirement, and a work readiness requirement.

Additionally, the District will execute an Incentive Agreement with Chemonics providing numerous community benefits. Chemonics will be required to participate in community activities that will assist inclusive nonprofits and engage with District of Columbia-based universities or other recruiting organizations. They will also be required to create a series of substantive work readiness opportunities for at least 400 District residents.

In short, the "Local Jobs and Tax Incentive Amendment Act of 2018," along with our proposed amendment, will expand the original Act of 2015 to dramatically increase the amount of jobs relocated to and retained in the District, expand the types and number of new jobs created, multiply our community benefits, and ensure that two important corporate citizens continue to call the District home. This is a fiscally responsible, innovative, performance-based tax abatement that will help make the District competitive for EAB and Chemonics, while also ensuring the District receives the benefits it expects while providing a major publicly-traded company with transparent and straightforward performance metrics.

Thank you for your time. I am happy to answer any questions you may have.

on EAB's performance in relation to specific hiring requirements for new District resident hires as outlined in the legislation. This incentive will not only produce a significant number of new, permanent, quality jobs for District residents, but also require EAB to enter into a community benefits agreement. This agreement will include requirements for training, employment, and youth development for residents, as well as free services for underserved communities in the District.

In addition to my support for EAB under B22-918, I am also testifying to encourage the Committee to amend the Act to ensure that another major corporate citizen remains in the District. Chemonics is an international development company with a robust 40-year history in the District that continues to expand. The proposed amendment, which I have submitted along with my testimony, will not only support 1,200 anticipated jobs, half of which will be new or relocated from Northern Virginia to the District, but it will create a new international headquarters for Chemonics right here in Ward 6 at 1st and M Streets S.E (a portion of Lot 0094, Square 0743). By including this proposed amendment, we can ensure that Chemonics continues to grow in the District, thereby providing more job opportunities to District residents.

In the same manner contemplated under the Act for EAB, the Chemonics amendment would provide a performance-based property tax abatement to the company. The abatement would be granted over the course of nine years, in an amount not to exceed \$650,000 per tax year (a total of \$5,850,00 over the abatement period), and would be determined based on Chemonics's annual performance in relation to specific employment requirements. Those requirements include a total FTE requirement (a minimum of 1,000 required and 1,200 expected) a District resident

requirement, and a work readiness requirement.

Additionally, the District will execute an Incentive Agreement with Chemonics providing numerous community benefits. Chemonics will be required to participate in community activities that will assist inclusive nonprofits and engage with District of Columbia-based universities or other recruiting organizations. They will also be required to create a series of substantive work readiness opportunities for at least 400 District residents.

In short, the "Local Jobs and Tax Incentive Amendment Act of 2018," along with our proposed amendment, will expand the original Act of 2015 to dramatically increase the amount of jobs relocated to and retained in the District, expand the types and number of new jobs created, multiply our community benefits, and ensure that two important corporate citizens continue to call the District home. This is a fiscally responsible, innovative, performance-based tax abatement that will help make the District competitive for EAB and Chemonics, while also ensuring the District receives the benefits it expects while providing a major publicly-traded company with transparent and straightforward performance metrics.

Thank you for your time. I am happy to answer any questions you may have.

A Bill

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Chapter 46 of Title 47 [...EXISTING BILL]

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, that this
act may be cited as the "Local Jobs and Tax Incentive Amendment Act of 2018".

Sec. 2. Chapter 46 of Title 47 of the District of Columbia Official Code is amended as
follows:

(a) [EXISTING BILL]

(1) [EXISTING BILL]

(2) [EXISTING BILL]

(3) A new section designation is added to read as follows:

"47-4669. Chemonics real property tax abatement."

(b) [EXISTING BILL]

(c) [EXISTING BILL]

(d) A new section 47-4669 is added to read as follows:

"§ 47-4669 Chemonics real property tax abatement.

"(a) For the purpose of this section the term:

1 “(1) “Abatement Period” means October 1, 2022, through October 1, 2030, the
2 time during which the incentive will be applied

3 “(2) “Annual Abatement” means the annual real property tax abatement the
4 Property is eligible to receive, up to \$650,000.

5 “(3) “Annual Reporting Date” means September 30 preceding every tax year of
6 the Abatement Period.

7 “(4) “Company” means Chemonics.

8 “(5) “District” means the District of Columbia.

9 “(6) “District Resident” means an FTE whose principal place of residence is
10 located within the District and who is subject to District personal income tax on the Annual
11 Reporting Date.

12 “(7) “Employment Target” means 1,000 FTEs, of which 500 are District
13 Residents.

14 “(8) “FTE” means an employee of the Company, or one of its subsidiaries or
15 affiliates, who is eligible for full employee healthcare benefits of the Company, or its applicable
16 subsidiary or affiliate, in accordance with its standard policies.

17 “(9) “Incentive Agreement” means the agreement entered into between the Mayor
18 and the Company outlining the Company’s incentive requirement, which shall include incentives
19 for hiring and training District Residents.

20 “(10) “Lease Commencement” means the date on which the Company occupies
21 the Premises with its employees.

22 “(11) “Lease Execution” means the date on which the Company signs the lease
23 for the Premises no later than December 31, 2018.

1 “(12) “Lessor” means the developer or landlord of the Property

2 “(13) “Premises” means a building or portion of a building on the Property that is
3 leased by the Company.

4 “(14) “Project” means the initial tenant improvements to the Premises at the
5 Property undertaken by the Company or its contractor to construct the space for the initial
6 occupancy.

7 “(15) “Property” means a portion of the real property known for tax and
8 assessment purposes as Lot 0094 in Square 0743 and subject to real property taxation under
9 Chapter 8 of this title.

10 “(b) Subject to subsections (c) through (n) of this section, the real property taxes
11 imposed by Chapter 8 of this title with respect to the Property shall be abated in an amount not to
12 exceed \$650,000 per tax year during the abatement period. The abatement shall be apportioned
13 equally between each tax year’s installment billing. The abatement shall be non-refundable and
14 shall not be credited to other tax years.

15 “(c) The amount of the abatement authorized in subsection (b) of this section shall be
16 determined based on the requirements set forth in the Incentive Agreement. As further described
17 in the Incentive Agreement, the abatement amount may be reduced if the Company does not
18 achieve the annual incentive requirements, including but not limited to the Employment Target.

19 “(d) The Property shall be eligible for the abatement authorized in subsection (b) of this
20 section each year of the abatement period as long as the Company:

21 “(1) Maintains a lease for premises located on the Property that meets the
22 requirements in subsection (e) of this section; and

1 “(2) Complies with subsections (d) through (n) of this section, including
2 requirements of the Incentive Agreement.

3 “(e) The terms of the Company’s lease or for Premises on the Property shall meet the
4 following requirements:

5 “(1) The Property shall be located in the District;

6 “(2) The lease or sub-lease execution shall occur on or before December 31, 2018;

7 “(3) Premises shall be a minimum of 280,000 square feet;

8 “(4) The Company shall occupy a minimum of 240,000 square feet of the
9 Premises; and

10 “(5) The term of the initial lease term or sub-lease term shall be at least 12 years.

11 “(f) During the abatement period, the Property shall not be eligible for the abatement
12 authorized under § 47-811.03.

13 “(g) If the Mayor, pursuant to § 2-219.03a, determines that the Company is in compliance
14 with the hiring requirements of this section and the Incentive Agreement and the Community
15 Benefits Agreement, the Company shall be deemed to be in compliance with the provisions of
16 part A of subchapter X of Chapter 2 of Title 2 of the District Columbia Official Code.

17 “(h) On or before October 31, the Company shall provide the Mayor with the following
18 information pertaining to the previous tax year:

19 “(1) A detailed report of the annual reporting date that identifies the:

20 “(A) Number of employees whose primary workplace is located in the
21 District;

22 “(B) Number of District resident employees;

23 “(C) Median salary of the District resident employees;

1 “(D) Median tenure of District resident employees; and

2 “(E) Total employment; and

3 “(2) A certification of compliance with the Incentive Agreement.

4 “(3) The Company shall comply with the requirements contained in § 2-218.46,
5 with regard to the Project.

6 “(i) Within 60 days of enactment of this Act, the Company shall enter into an Incentive
7 Agreement with the Deputy Mayor for Planning and Economic Development that may include
8 commitments for community sponsorship, community participation, education training, and
9 apprenticeships

10 “(j) Within 60 days of execution of the Incentive Agreement the Company or Lessor shall
11 enter into a First Source Agreement with the District that shall govern certain obligations of the
12 Company pursuant to §2-219.03, as amended, and Mayor’s Order 83-265 (November 9, 1983)
13 regarding job creation and employment generated as a result of the construction of the Property.

14 “(k) Within 60 days of execution of the Incentive Agreement the Company or Lessor
15 shall execute an agreement or acknowledgement for that shall require the Lessor to, at a
16 minimum, contract with Certified Business Enterprises for at least 35% of the contract dollar
17 volume of the Project.

18 “(l) In each year of the abatement period, the Mayor shall certify to the Office of Tax and
19 Revenue the Property’s eligibility for the abatement set forth in subsection (b) of this section.

20 “(1) The Company’s tax payer identification number;

21 “(2) A description of the eligible Property, by street address and square, lot,
22 parcel, or reservation number, and a description of the eligible premises, including the floor, or
23 floors, location, and square footage;

1 “(3) The date of lease or sub-lease commencement and the term of the lease or
2 sub-lease;

3 “(4) Any other information that the Mayor considers necessary or appropriate.

4 “(m) Upon receiving the verifying documents from the Company as required by
5 subsection (l) of this section, the Mayor shall certify to the Office of Tax and Revenue by
6 December 1 following each annual reporting date, the Property’s eligibility to receive an
7 abatement pursuant to section (b) of this section. The Office of Tax and Revenue shall process
8 the abatement before the first semi-annual billing of the tax year.

9 “(n) The Mayor may delegate the functions vested in her by this subchapter to an
10 appropriate executive office, agency or department.”

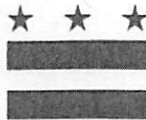
PUBLIC HEARING ON

Bill 22-918, Local Jobs and Tax Incentive Amendment Act of 2018

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**November 14, 2018, 10:00 a.m.
Room 412, John A. Wilson Building**



**Testimony of
Wharton H. Berger
Executive Director for the Office of Economic Development Finance
Office of the Chief Financial Officer**

**Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and Members of the Committee on Finance and Revenue. My name is Wharton Berger, Executive Director of the Office of Economic Development Finance for the Office of the Chief Financial Officer ("OCFO"). I am pleased to testify for the Office of the Chief Financial Officer on Bill 22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018" (the "Bill").

The proposed legislation would provide up to \$20 million of real property tax incentives to EAB Global, Inc. ("EAB") to remain located in the District, employ more District residents, increase construction employment in the District, and secure the benefits for the District set forth in a community benefits agreement negotiated between the District and EAB ("Agreement"). The incentives are structured as a real property tax abatement contingent on EAB leasing property in the District of at least 148,750 square feet for 10 years, meeting certain employment thresholds including the hiring of 350 new District residents, increase construction employment in the District. The District will credit the abatement to the owner of the commercial property that EAB will lease. In its tax abatement financial analysis application, EAB stated the introduced version of the Bill incorrectly provides a \$2 million annual abatement. The abatement amount should be \$2.1 million per year to total \$21 million over 10 years.

The Bill also requires that EAB provide an annual report to the Mayor providing detailed information on District residents that have been hired, and a certificate of compliance with the Agreement. The Mayor will then annually certify the eligibility of the property for abatement to the Office of Tax and Revenue.

Education Advisory Board operated as a division of the Advisory Board Company until being sold in November 2017 to Vista Equity Partners. Based on information from its website, Education Advisory Board was established in 2007 and is a leading provider of research, student success management software and data-enabled student enrollment solutions to the non-profit educational and K-12 market segments.

The OCFO is required by the Exemptions and Abatements Information Requirements Act to assess whether the proposed real property tax abatement is necessary to achieve the goals of the legislation. For the proposed legislation, the OCFO analysis focused on the following purposes of the property tax abatement:

- Whether EAB requires an abatement in order to remain in the District.
- Whether the incentive agreement is likely to increase the number of full-time EAB employees who reside in the District.
- Whether the legislation is expected to increase construction employment in the District.

Economic development related research indicates that tax incentives are generally not a critical factor in corporate decisions regarding where firms choose to locate. Usually, the presence of a highly skilled workforce, good public transportation, and quality of life factors are more important considerations. The criteria used by EAB for its locational decision undoubtedly includes leasing and real property tax costs, but without knowing all of the factors they considered, we cannot opine definitively on whether a \$21 million subsidy, or a different level of assistance, is necessary to encourage EAB to remain in the District.

The proposed real property tax abatement is provided subject to EAB satisfying the terms of the Agreement. To receive the full \$21 million abatement, EAB anticipates increasing the number of full-time District resident employees by 35 annually over a 10-year time span to achieve the 350 net new full-time employed District residents. If the company fails to meet this target, the abatement will be reduced as required by the Bill.

EAB provided the OCFO with unaudited consolidated and combined financial statements for Avatar Holdco, LLC for 2017, the company that owns EAB, and audited financial statements for EAB for 2014 to 2016 containing revenue, expenses and cash flow information for both companies. The past three years of unaudited and audited financial statements show the applicant is able to make real property tax payments and achieve positive revenue growth in each year. Therefore, given the positive revenue growth, the proposed property tax abatement is not necessary.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.



November 13, 2018

To Whom It May Concern:

My name is Maria Gomez. I am the President and CEO of Mary's Center. Mary's Center is a Federally Qualified Health Center that provides health care, family literacy, and social services in order for individuals to gain economic independence. The Center offers high-quality care in a trusting environment to a majority of low-resourced residents from the entire DC metropolitan region, including individuals from over 110 countries. EAB has helped us to tell the story of the integration of all of our services by creating tag lines, elevator pitches, and fundraising presentations.

Teams from EAB have helped us increase our productivity without decreasing physician morale, helping us to treat more area residents in need, and do so more effectively. This effort has helped us bring hundreds of thousands of dollars each year that we would not otherwise collect from our insurance payers. They've also been generous as a company, as have many individuals within their firm, including Matt Klinger and Michelle Paquin serving on our Board of Directors and chairing events such as our annual Gala.

I am offering a letter in support of EAB today not because of their high-profile work with galas or financial generosity, though that is appreciated, but rather because they are always there to help with the "boring" work that is critical to our mission but cannot be done in a day. For instance, they have helped on things like improving our documentation processes and better leveraging call data within our phone system. Not the most glamorous work, but incredibly important in building our capacity, and therefore our ability to help more of our low resourced individuals. EAB does a significant amount of good, both seen and unseen.

I appreciate what they do for Mary's Center and for this city. For more information about Mary's Center and our relationship with EAB, please contact me at 202-420-7005 or mgomez@maryscenter.org.

Sincerely,

A handwritten signature in black ink, appearing to be 'Maria S. Gomez', written over a horizontal line.

Maria S. Gomez, RN, MPH
President and CEO

④

Government of the District of Columbia
Office of the Chief Financial Officer

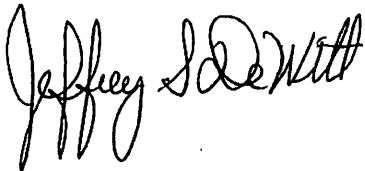


Jeffrey S. DeWitt
Chief Financial Officer

TAX ABATEMENT FINANCIAL ANALYSIS

TO: The Honorable Muriel Bowser
Mayor, District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 14, 2018

SUBJECT: "Local Jobs and Tax Incentive Amendment Act of 2018"

REFERENCE: Bill 22-918

Findings

The proposed bill would repeal sections of the Local Jobs and Tax Amendment Act 2015¹ providing a real estate tax abatement for the Advisory Board Company ("Advisory Board") and instead provide an abatement of real property taxes over a 10-year period of up to \$20 million for EAB Global, Inc. ("EAB")². Based on the growth of the company's revenue reported in the financial information provided by EAB³, the Office of the Chief Financial Officer ("OCFO") finds an abatement of the proposed property tax in the Local Jobs and Tax Incentive Amendment Act of 2018 is not necessary.

Background

EAB operated as a division of the Advisory Board until being sold, along with the assets of Royall & Company, in November 2017 to Vista Equity Partners. Based on information from its website, EAB, founded in 2007, is a leading provider of research, student success management software, and data-enabled student enrollment solutions to the non-profit educational and K-12 market segments. EAB

¹ D.C. Law 21-71, codified at D.C. Official Code §§ 47-4665.01 through 47-4665.05.

² EAB's property tax abatement application indicated the total amount of the abatement is \$21 million. On August 29, 2017 the Advisory Board announced its education business, Education Advisory Board and Royall & Company, was sold to Vista Equity Partners for \$1.55 billion. The sale finalized on November 17, 2017 with the controlling entity, Avatar Holdco, LLC, reporting an acquisition of \$1.5 billion on the unaudited consolidated and combined statements of cash flows from period of November 17, 2017 to December 31, 2017.

³ Annual revenue for EAB grew substantially from 2014 to 2016, based on the audited statements of operations. While remaining positive, the annual growth in revenue diminished in 2017 from 2016 based on the annual unaudited consolidated and combined statements of operations for Avatar Holdco, LLC, as of December 31, 2017, and the audited statements of operations for Education Advisory Board, year ended December 31, 2016.

provides solutions that assist over 1,100 higher education and 100 K-12 institutions to increase enrollments, balance financial assistance with revenue generation, and drive higher student retention and success rates.

The Advisory Board, formerly a publicly-traded District company that provided research, technology, and consulting services to health care organizations and educational institutions, received a 10-year real property tax abatement of up to \$60 million beginning in fiscal year 2021. With the approval of the Local Jobs and Tax Amendment Act of 2015 (“2015 Act”), the Advisory Board received an abatement of property taxes, as required in the 2015 Act, if the company:

- 1) Leased premises in the District of at least 425,000 square feet of net rentable area for at least 15 years on or before December 31, 2015;
- 2) Employed a full-time employment threshold of 100 District residents on an annual basis to total 1,000; and
- 3) Signed a Community Benefits Agreement.

The Advisory Board announced in August 2017 an agreement to sell its health care business to Optum for \$1.3 billion along with its education business, Education Advisory Board, to Vista Equity Partners for \$1.55 billion. With the sale of these business units, the Advisory Board, as defined in the 2015 Act, no longer existed. The proposed legislation repeals an abatement provided by the 2015 Act and instead provides a property tax abatement for EAB.

Tax Abatement Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by the OCFO to contain the following information:

(A) Terms of the Abatement

The legislation states the property shall receive a real property tax abatement of up to \$2 million per year for ten years, beginning in fiscal year 2021. To receive the abatement, EAB must in general:

- 1) Lease property located in the District on or before January 1, 2019 of at least 148,750 square feet of net rentable area for at least 10 years;
- 2) Meet certain employment thresholds, including hiring 350 net new District residents; and
- 3) Sign a Community Benefits Agreement.

Based on reporting information received from EAB, the Mayor shall certify to the Office of Tax and Revenue, the property’s eligibility for the property tax abatement to be applied each year.⁴

(B) Value of the Abatement

Based on the terms of the abatement, the maximum value of the abatement is \$20 million as shown in Table 1.

⁴ Since real property tax is levied on the property, not the lessee, the property would receive the tax reduction resulting from the abatement, not EAB. The legislatively approved abatement will flow through to the EAB, as described in a current or potential the lease between the building owner and EAB.

Table 1: Value of Abated Taxes

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023- FY 2030	TOTAL
Abated Real Property Tax	\$0	\$0	\$2,000,000	\$2,000,000	\$16,000,000	\$20,000,000

(C) Purpose of the Abatement

The tax abatement outlined in the Local Jobs and Tax Incentive Amendment Act of 2018 will allow EAB to assume its proportionate share of the 2015 Act. The purpose for the abatement is also to keep EAB located in the District, encourage EAB to hire more District residents, increase construction employment in the District, and enter into Community Benefits Agreement with the District to provide training, employment and youth development, and free services to underserved communities in the District.

(D) Summary of the Proposed Community Benefits

A summary of the proposed community benefits, as submitted by EAB Global, Inc., is attached to this analysis⁵.

(E) Financial Analysis and Advisory Opinion

EAB provided the OCFO with unaudited consolidated and combined financial statements for Avatar Holdco, LLC for 2017 and audited financial statements for Education Advisory Board for 2014 to 2016 containing revenue, expenses, and cash flow information for the company. The past three years of unaudited and audited financial statements show EAB is able to make real property tax payments and achieve positive revenue growth in each year. Therefore, despite transaction costs relating to the acquisition in 2017 and goodwill impairment expense in 2015 that impacted net income, revenue growth remained positive, and the proposed property tax abatement is not necessary.

Conclusion

The ten-year real property tax abatement proposed by the Local Jobs and Tax Incentive Amendment Act of 2018, Bill 22-918, is not necessary for EAB Global, Inc. to meet its fiscal needs.

Please refer to the separate Fiscal Impact Statement for the effect of the proposed legislation on the District’s financial plan.

⁵ The OCFO conducted an analysis of the public purpose, location decision, resident employment, real estate, and construction impact of the proposed community benefits associated with the 2015 Act in the following report: <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/TAFA%20B21-353%20Local%20Jobs%20and%20Tax%20Incentive%20Act%20of%202015.pdf>

Attachment: Applicant Provided Statement of Community Benefits

A summary of the proposed community benefits to be provided by the abatement, if known, including, but not limited to:

EAB is presently in discussions with the Deputy Mayor for Economic Development concerning a Community Benefits Agreement that would largely adopt many of the commitments agreed to as part of the 2015 Act, on an adjusted basis, to reflect EAB’s proportionate tax abatement share (35%) of the 2015 tax abatement amount. EAB also proposes providing additional benefits in the form of an annual membership in EAB’s District Leadership Forum provided to the DC Public School system during the tax abatement period.

- a. The number of affordable housing units to be developed, if any, including:
 - i. Level of Area Median Income (AMI) at which units will be affordable, if applicable; and
 - ii. The projected financial value of the proposed subsidy based upon the difference between the value of a comparable market rate unit and a proposed affordable unit within the same neighborhood, if applicable.

EAB RESPONSE: Not applicable.

- b. The proposed number of jobs to be created by the project, if any, including:
 - i. Whether the jobs are temporary or permanent (permanent jobs are those involved in the ongoing operation of the commercial property);
 - ii. Full-time or part-time (full-time jobs are those working at least 35 hours a week);
 - iii. The estimated wages and benefits for each job; and
 - iv. The number of jobs that are committed to District residents.

EAB RESPONSE⁶:

Below are EAB’s actual employment numbers from 2015 to 2018 as well as their full-time District resident count for the same time period. The job creation chart in the executed tax incentive agreement will reflect actual numbers rather than the projected job creation targets EAB sent by way of example in its response to the OCFO. See numbers below:

As of September 16, 2015 (date of the Advisory Board Company Tax Incentive Agreement)

Total Headcount in DC: 434 FTEs

DC Resident Headcount: 193 FTEs

As of October 1, 2016

Total Headcount in DC: 578 FTEs

DC Resident Headcount: 267 FTEs

⁶ Capitalized terms used in EAB’s responses shall have the meanings set forth in the Bill to Amend the Local Jobs and Tax Incentive Amendment Act of 2015 a copy of which accompanies this response form.

As of October 1, 2017

Total Headcount in DC: 664 FTEs

DC Resident Headcount: 287 FTEs

As of October 1, 2018

Total Headcount in DC: 636 FTEs

DC Resident Headcount: 295 FTEs

EAB's receipt of tax abatements described above are subject to EAB's hiring of an aggregate of 350 District Residents (as defined in the Act) by September 30, 2029. The chart below sets forth the projected job creation targets as part of the tax incentive agreement.

<u>Reporting Period</u>	<u>Accumulated New District Resident Hires</u>
10/1/19-9/30/20	35 (for a total of at least 338 District Residents as of the 1 st Annual Reporting Date)
10/1/20-9/30/21	70 (for a total of at least 408 District Residents as of the 2 nd Annual Reporting Date)
10/1/21-9/30/22	105 (for a total of at least 443 District Residents as of the 3 rd Annual Reporting Date)
10/1/22-9/30/23	140 (for a total of at least 478 District Residents as of the 4 th Annual Reporting Date)
10/1/23-9/30/24	175 (for a total of at least 513 District Residents as of the 5 th Annual Reporting Date)
10/1/24-9/30/25	210 (for a total of at least 548 District Residents as of the 6 th Annual Reporting Date)
10/1/25-9/30/26	245 (for a total of at least 583 District Residents as of the 7 th Annual Reporting Date)
10/1/26-9/30/27	280 (for a total of at least 618 District Residents as of the 8 th Annual Reporting Date)
10/1/27-9/30/28	315 (for a total of at least 653 District Residents as of the 9 th Annual Reporting Date)
10/1/28-9/30/29	350 (for a total of at least 688 District Residents as of the 10 th Annual Reporting)

On an annual basis the tax abatement will be determined as follows:

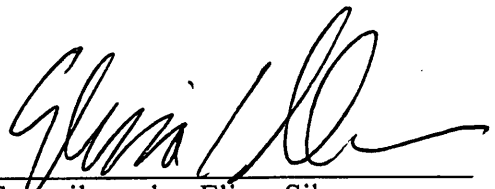
- (1) If the Total Employment Baseline is exceeded and the annual requirements for the Accumulated New District Resident Hires are met, as measured on the applicable Annual Reporting Date, then the abatement for such tax year shall equal \$2,100,000.00
 - (2) If the annual total of Net New District FTE Hires is less than the requirements for the requirements for the accumulated New District Resident Hires for the same period as determined by the Incentive Agreement, but the Total Employment Baseline is exceeded, then the Abatement for each such tax year shall be calculated based on the ratio of actual Net New District FTE Hires to the requirement for Accumulated New District Resident Hires of the Annual Reporting Date; and
 - (3) If there are fewer FTEs than the Total Employment Baseline as of an Annual Reporting Date, then the Abatement for each such tax year shall be \$0.
- c. Description of any other public policy goal(s) the exemption or abatement is meant to address and expected results

EAB RESPONSE: EAB's receipt of the Abatement is a critical factor in its decision whether to keep its headquarters located in the District and to hire District Residents. EAB has explored lower cost real estate options and considered diverting employment growth to other existing office locations, both of which would be lower cost than remaining within the District. The tax abatement offsets some of this cost differential and allows EAB to focus investment on its business in the District, which results in the hiring of more District Residents.

The summary should delineate which community benefits and amenities are already required by law through the zoning process (e.g., inclusionary zoning, planned-unit-development approval) or regulations (e.g., environmental standards).

- d. The number of affordable housing units to be developed, if any, including:
 - i. Level of Area Median Income (AMI) at which units will be affordable, if applicable; and
 - ii. The projected financial value of the proposed subsidy based upon the difference between the value of a comparable market rate unit and a proposed affordable unit within the same neighborhood, if applicable.

EAB RESPONSE: Not applicable.


Councilmember Elissa Silverman

(E)

AN AMENDMENT

1

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Date: November 28, 2018

Offered by: Councilmember Elissa Silverman

To: Bill 22-918, Local Jobs and Tax Incentive Amendment Act of 2018

Version:

- ☐ Introduced
- ☐ Committee Report
- ☒ Committee Print
- ☐ First Reading
- ☐ Amended First Reading
- ☐ Engrossed
- ☐ Enrolled
- ☐ Amendment in Nature of Substitute

Sections 2(a)(3) on page 2, lines 25-26, and 2(d) on page 6, lines 140-247, are struck.

Rationale:

This section gives a new \$5.2 million tax abatement to Chemonics International, Inc, a company based in DC. However, the company has been fined almost \$500,000 by the U.S. Department of Labor for systematically discriminating against African-American job applicants. The Council should remove the new abatement language for Chemonics, at least until it can further investigate these issues and understand why it should be using District tax dollars to support this company.

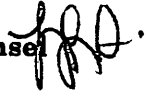


OFFICE OF THE GENERAL COUNSEL

Council of the District of Columbia
1350 Pennsylvania Avenue NW, Suite 4
Washington, DC 20004
(202) 724-8026

MEMORANDUM

TO: Councilmember Elissa Silverman

FROM: Nicole Streeter, General Counsel 

DATE: November 28, 2018

RE: Legal sufficiency determination for Amendment to Bill
22-918, the Local Jobs and Tax Incentive Amendment
Act of 2018

The measure is legally and technically sufficient for Council consideration.

The amendment makes changes to the draft committee print of Bill 22-918, the Local Jobs and Tax Incentive Amendment Act of 2018 by striking section 2(a)(3) and (d) to eliminate the proposed real-property tax abatement for property located at the northwest corner of New Jersey Avenue, S.E., and N Street, S.E., known for tax and assessment purposes as Lot 0094 in Square 0743.

I am available if you have any questions.

COUNCIL OF THE DISTRICT OF COLUMBIA
Office of the Budget Director



Jennifer Budoff
Budget Director

FISCAL IMPACT STATEMENT

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jennifer Budoff, Budget Director

Angela D. Jayne for

DATE: November 28, 2018

SHORT TITLE: B22-918, the "Local Jobs and Tax Incentive Amendment Act of 2018"

TYPE: Amendment #1

REQUESTED BY: Councilmember Elisa Silverman

Conclusion

The amendment will not have an adverse impact on the District's budget and four-year financial plan, and as noted in the fiscal impact statement issued by the Chief Financial Officer on November 27, 2018, the underlying bill will increase real property tax revenue by \$3.9 million in fiscal year 2021 and \$7.8 million over the four-year financial plan.

Background

The proposed amendment would remove a Chemonics International real property tax abatement from the bill. The amount of the abatement for real property located at the northwest corner of New Jersey Avenue SE and N Street SE (Square 0743, Lot 0094) is to be determined based on the requirements set forth in the incentive agreement, but it is not to exceed \$650,000 per tax year. The abatement is to be effective October 1, 2022 through October 1, 2030.

Analysis of Impact on Spending

This amendment would not impact spending.

Analysis of Impact on Revenue

This amendment would increase annual revenue by up to \$650,000 in fiscal years 2023 through 2030, but this impact is outside the four-year financial plan.

⑤

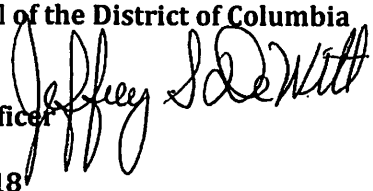
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 27, 2018

SUBJECT: Fiscal Impact Statement - Local Jobs and Tax Incentive Amendment Act of 2018

REFERENCE: Committee Print of Bill 22-918 as shared with the Office of Revenue Analysis on November 26, 2018

Conclusion

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill repeals an authorized real property tax abatement and authorizes a smaller abatement, increasing real property tax revenue available for other purposes by \$3.9 million in fiscal year 2021 and \$7.8 million over the four-year financial plan.

Background

The Advisory Board, formerly a District company providing consulting services to health care organizations and educational institutions, was eligible for a real property tax abatement¹ of up to \$6 million per year for ten years beginning in FY 2021, if the company met hiring incentive requirements. The company has since been reorganized and no longer exists as defined under the terms of the abatement.

The bill repeals the tax abatement for The Advisory Board and creates two new tax abatements: the first for EAB Global, Inc.², and the second for Chemonics, Inc.³. The bill authorizes EAB Global, Inc. to receive a real property tax abatement of up to \$2.1 million annually, beginning in fiscal year 2021 for a period of ten years. Chemonics, Inc. is authorized to receive a real property tax abatement of up to \$650,000 beginning in fiscal year 2023 for a period of eight years. The exact amount of the abatement

¹ Local Jobs and Tax Incentive Act of 2015, effective February 26, 2016 (D.C. Law 21-71; D.C. Official Code § 47-4665.02).

² EAB Global, Inc. is a District based research and consulting firm focusing on higher education. (<https://www.eab.com/>)

³ Chemonics, Inc. is a District based international development company. (<https://www.chemonics.com/>)

The Honorable Phil Mendelson

FIS: Bill 22-918, "Local Jobs and Tax Incentive Amendment Act of 2018," Draft Committee Print as shared with the Office of Revenue Analysis on November 26, 2018.

will be determined by how well the companies meet targets and requirements in their respective incentive agreements with the District. The abatements are non-refundable and cannot be credited to other tax years.

The companies must execute 10-year lease agreements by January 2019 to be eligible for the abatements. The bill requires EAB Global, Inc. to enter into a community benefits agreement with the Mayor within 30 days of the bill's enactment and include incentives for hiring 350 Net New District FTE⁴ Hires. The bill requires Chemonics, Inc., to enter into an incentive agreement with the Deputy Mayor for Planning and Economic Development within 60 days of the bill's effective date, which must include an employment target of 1,200 FTEs, of which 500 are District residents. The companies must report annually to the Mayor each October on incentive agreement progress. By December 1, the Mayor must certify annually to the Office of Tax and Revenue the total value of each abatement.

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill reallocates real property tax revenue set aside for a tax abatement to a smaller abatement, increasing real property tax revenue available for other purposes by \$3.9 million per year beginning in fiscal year 2021.

In the financial plan, \$6 million is set aside annually beginning in fiscal year 2021 to account for The Advisory Board real property tax abatement. The bill replaces that abatement with up to \$2.1 million in abatements for EAB Global, Inc, making available \$3.9 million in real property tax revenue for other purposes beginning in fiscal year 2021. The bill also establishes a real property tax abatement for Chemonics, Inc. of up to \$650,000 per year, but it does not begin until fiscal year 2023, which is outside of the four-year financial plan. Real property tax revenues will be reduced by \$650,000 beginning in fiscal year 2023 for the period of the abatement.

Fiscal Impact of Bill 22-918					
Local Jobs and Tax Amendment Act of 2018					
Fiscal Year 2019 - Fiscal Year 2022					
(\$ thousands)					
	FY 2019	FY 2020	FY 2021	FY 2022	Total
Increase in available real property tax revenue	\$0	\$0	\$3,900	\$3,900	\$7,800

⁴ The bill defines a Net New District FTE hire as the total number of District residents whose primary workplace is located in the District in excess of the resident employment baseline, which will be set in the incentive agreement.

6

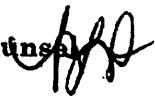


OFFICE OF THE GENERAL COUNSEL

Council of the District of Columbia
1350 Pennsylvania Avenue NW, Suite 4
Washington, DC 20004
(202) 724-8026

MEMORANDUM

TO: Councilmember Jack Evans

FROM: Nicole L. Streeter, General Counsel 

DATE: November 21, 2018

RE: Legal sufficiency determination for Bill 22-918,
the Local Jobs and Tax Incentive Amendment Act of
2018

The measure is legally and technically sufficient for Council consideration.

Bill 22-918 provides a real property tax abatement to two District-based businesses, EAB Global and Chemonics, subject to meeting the requirements specified in the legislation.

I am available if you have any questions.

(H)

BILL 22-918
COMMITTEE ON FINANCE AND REVENUE
COMMITTEE PRINT
NOVEMBER 28, 2018

A Bill

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Chapter 46 of Title 47 of the District of Columbia Official Code to provide an abatement of real property taxes on real property leased by EAB Global, Inc.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Local Jobs and Tax Incentive Amendment Act of 2018".

Sec. 2. Chapter 46 of Title 47 of the District of Columbia Official Code is amended as follows:

(a) The table of contents is amended as follows:

(1) Section designations 47-4665.01 through 47-4665.05 are amended to read as follows:

"47-4665.01. The Advisory Board Company – definitions. Repealed.

"47-4665.02. The Advisory Board Company – tax abatement. Repealed.

"47-4665.03 The Advisory Board Company – compliance. Repealed.

"47-4665.04. The Advisory Board Company – community benefits. Repealed.

"47-4665.05. The Advisory Board Company – certification by the Mayor.
Repealed."

(2) A new section designation is added to read as follows:

23 “47-4665.06. EAB Global Inc. real property tax abatement.”.

24 (b) Sections 47-4665.01 through 47-4665.05 are repealed.

25 (c) A new section 47-4665.06 is added to read as follows:

26 “§ 47-4665.06 EAB Global Inc. real property tax abatement.

27 “(a) For the purposes of this section, the term:

28 “(1) “Abatement period” means October 1, 2020, through September 30, 2030,

29 the time during which the incentive will be applied.

30 “(2) “Accumulated New District Resident Hires” means the goal for Net New

31 District FTE Hires pursuant to the incentive agreement.

32 “(3) “Annual reporting date” means September 30 preceding every tax year of the

33 Abatement Period.

34 “(4) “Company” means EAB Global, Inc.

35 “(5) “Community Benefits Agreement” means the agreement entered into

36 between the Mayor and the Company.

37 “(6) “District resident” means an FTE whose principal place of residence is

38 located within the District and who is on the annual reporting date subject to District personal

39 income tax.

40 “(7) “FTE” means an employee of the Company, or one of its subsidiaries or

41 affiliates, who is eligible for the full employee healthcare benefits of the Company, or its

42 applicable subsidiary or affiliate, in accordance with its standard policies.

43 “(8) “Incentive agreement” means the agreement entered into between the Mayor

44 and the Company outlining the Company’s incentive requirement, which shall include incentives

45 for hiring 350 Net New District FTE hires.

46 “(9) “Lease commencement” means the date on which the Company occupies the
47 Property with its employees.

48 “(10) “Lease execution” means the date on which the Company signs the lease for
49 the Property.

50 “(11) “Net New District FTE Hires” means the aggregate number of District
51 residents whose primary workplace is located in the District in excess of the resident
52 employment baseline.

53 “(12) “Project” means the initial tenant improvements to the premises located at
54 the Property undertaken by the Company or its contractor to construct the space for the initial
55 occupancy.

56 “(13) “Property” means a building or a portion of a building that is subject to real
57 property taxation under Chapter 8 of this title.

58 “(14) “Resident employment baseline” means the total number of District
59 residents whose primary workplace is located in the District, as established in the incentive
60 agreement.

61 “(15) “Total employment baseline” means the total number of FTEs, whose
62 primary workplace is located in the District, as established in the incentive agreement, as of the
63 date of the lease execution.

64 “(b) Subject to subsections (c) and (d) of this section, the real property taxes imposed
65 by Chapter 8 of this title with respect to the Property shall be abated in an amount not to exceed
66 \$2 million per tax year during the abatement period. The abatement shall be apportioned equally
67 between each tax year’s installment billing. The abatement shall be non-refundable and shall not
68 be credited to other tax years.

69 “(c) The amount of the abatement authorized in subsection (b) of this section shall be
70 determined as follows:

71 “(1) If the Company exceeds the total employment baseline and meets the annual
72 requirements for the Accumulated New District Resident Hires, as measured on the annual
73 reporting date, then the abatement for each tax year shall equal \$2.1 million;

74 “(2) If the Company’s annual total of Net New District FTE Hires is less than the
75 requirements for the Accumulated New District Resident FTE Hires for the same period, but the
76 Company exceeds the total employment baseline, then the abatement for each such tax year shall
77 be calculated based on the ratio of actual Net New District FTE Hires to the requirement for
78 Accumulated New District Resident Hires as of the annual reporting date, or

79 “(3) If there are fewer FTEs than the total employment baseline as of the annual
80 reporting date, then the abatement for each such tax year shall be zero.

81 “(d) The Property shall be eligible for the abatement authorized in subsection (b) of
82 this section each year of the abatement period as long as the Company:

83 “(1) Maintains a lease for the premises located on the Property that meets the
84 requirements in subsection (b) of this section;

85 “(2) Maintains the total employment baseline;

86 “(3) Fulfills the requirements of the Community Benefits Agreement; and

87 “(4) Complies with subsections (f) and (h) of this section, including the
88 requirements of the incentive agreement.

89 “(e) The terms of the Company’s lease for the Property shall meet the following
90 requirements:

91 “(1) The premises subject to the lease shall be located in the District.

92 “(2) The lease execution shall occur on or before January 1, 2019.

93 “(3) The term of the initial lease shall be at least 10 years.

94 “(4) The premises leased by the Company shall be at least 148,750 square feet of
95 net rentable area.

96 “(f) During the abatement period, the Property shall not be eligible for the abatement
97 authorized under § 47-811.03.

98 “(g) The Company shall be deemed to be in compliance with the First Source
99 Employment Agreement Act of 1984, effective June 29, 1984 (D.C. Law 5-93; D.C. Official
100 Code § 2-219.01 *et seq.*) (“FSEA act”), if the Mayor, pursuant to section 4a of the FSEA act,
101 determines that the Company is in compliance with the hiring requirements of subsection (c) of
102 this section and the incentive agreement.

103 “(h) On or before October 31, the Company shall provide the Mayor with the
104 following information pertaining to the previous tax year:

105 “(1) A detailed report as of the annual reporting date that identifies the:

106 “(A) Number of employees whose primary workplace is located in the
107 District;

108 “(B) Number of District resident employees:

109 “(C) Median salary of the District resident employees;

110 “(D) Median tenure of District resident employees; and

111 “(E) Total employment baseline; and

112 “(2) A certification of compliance with the Community Benefits Agreement.

113 “(3) The Company shall comply with requirements of section 2346 of the Small
114 and Certified Business Enterprise Development and Assistance Act of 2005, effective October
115 20, 2005 (D.C. Law 16-333; D. C. Official Code § 2-218.46), with regard to the Project.

116 “(i) Within 30 days of effective date of this section, the Company shall enter into a
117 Community Benefits Agreement with the Mayor that shall include requirements for training,
118 employment, and youth development and free services to underserved communities in the
119 District.

120 “(j) In each year of the abatement period, the Mayor shall certify to the Office of Tax
121 and Revenue the Property’s eligibility for the abatement set forth in subsection (b) of this
122 section. The Mayor’s certification shall include:

123 “(1) The Company’s taxpayer identification number and the identity of any
124 related entity that is occupying all or part of the eligible premises, including the entity’s taxpayer
125 identification number;

126 “(2) A description of the eligible property, by street address and square, lot,
127 parcel, or reservation number, and a description of the eligible premises, including the number of
128 floors, location, and square footage;

129 “(3) The date of lease commencement and the term of the lease; and

130 “(4) Any other information that the Mayor considers necessary or appropriate.

131 “(k)(1) Upon receiving the verifying documents from the Company, as required by
132 subsection (j) of this section, the Mayor shall certify to the Office of Tax and Revenue by
133 December 1 following each annual reporting date the Property’s eligibility to receive an
134 abatement pursuant section (b) of this section.

135 “(2) The Office of Tax and Revenue shall process the abatement before the first
136 semi-annual billing of the tax year.”.

137 Sec. 3. Fiscal impact statement.

138 The Council adopts the fiscal impact statement in the committee report as the fiscal
139 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,
140 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

141 Sec. 4. Effective date.

142 This act shall take effect following approval by the Mayor (or in the event of veto by the
143 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
144 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
145 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1), and publication in the District of
146 Columbia Register.